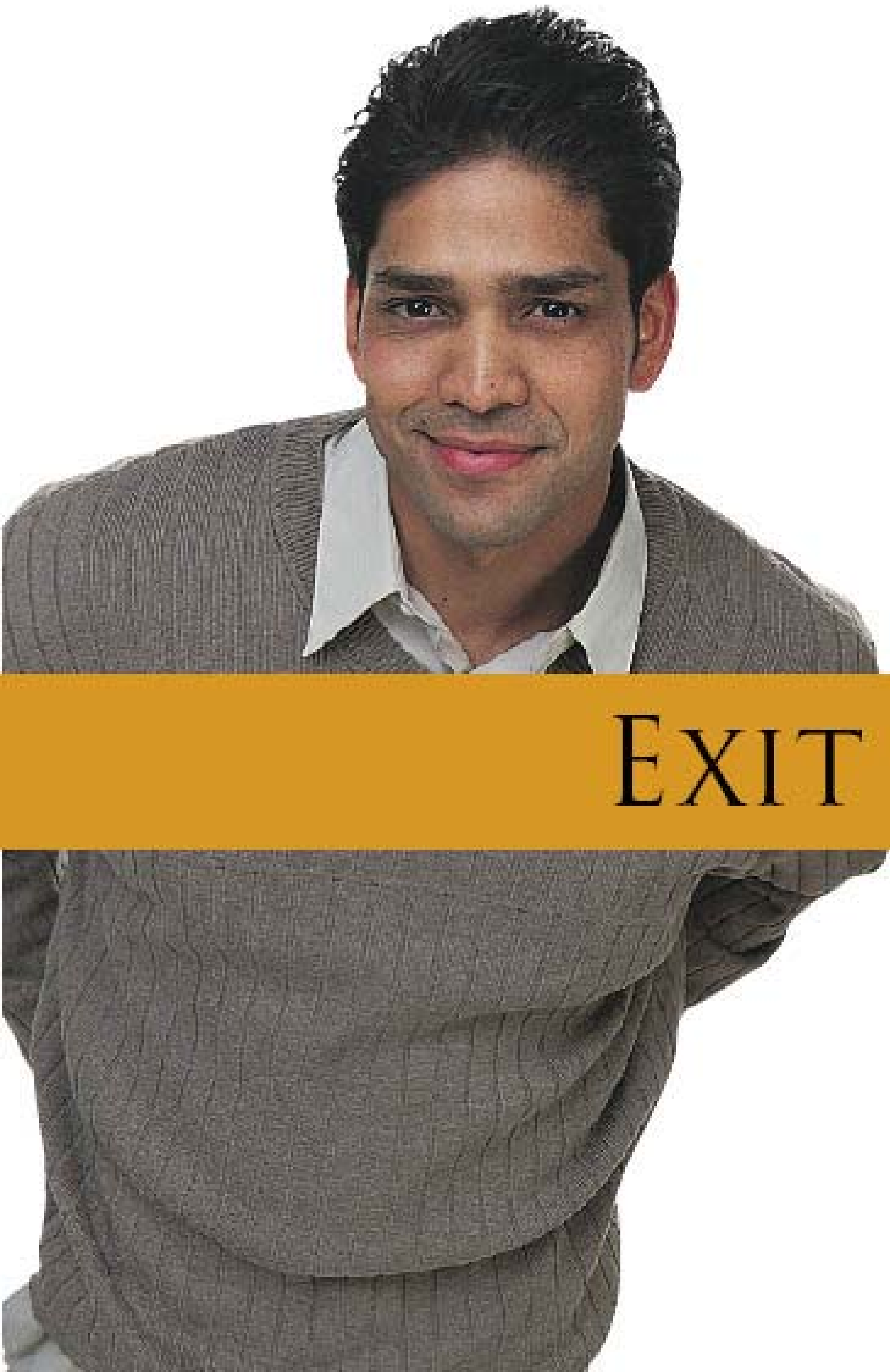
UNDERSTANDING
YOUR STUDENT LOAN



MISSOURI
DHE
Student Loan Program

EXIT COUNSELING

Furthering your education is a decision you made to develop your potential and pursue career goals. Hopefully, your skills and earning power have grown, because with that decision comes increased financial responsibility.

Repaying your student loan(s) is a responsibility that will not go away until your loan(s) are paid in full. Borrowing for your education has long-term effects, but there is no reason why the outcome cannot be positive.

The Missouri Department of Higher Education (MDHE) has provided this guide to help you manage your student loan debt wisely and to inform you about options available before and throughout your repayment period.

Remember:

- **Student loans must be repaid.**
- **The amount of money you decide to borrow for school may affect your lifestyle after you leave school.**
- **Your ability or inability to repay your student loan will affect your credit worthiness for purchases such as a car or home.**
- **Failure to repay your student loan can increase your total debt because unpaid interest and collection costs may be added to your loan balance.**

If you Decide to Return to School

If you received a Federal Stafford Loan under a Master Promissory Note (MPN) and you are returning to school in the U.S., you may be able to receive subsequent loans for up to 10 years from the date you signed the MPN without signing another note. Each year, your school will notify you of the Federal Stafford Loan amount for which you are eligible. You have the right to reduce or refuse your Federal Stafford Loan amount and to revoke your lender's ability to make subsequent loans under an existing MPN. Contact your school or lender for more information about how to exercise these rights.

Often, loans are sold to a secondary market or other loan holder as they near repayment, so it is a good idea to contact the lender on your MPN to ensure that your lender retains the right to make additional loans for you under your existing MPN. If you decide to change lenders, you must sign another MPN. If you transfer to another school, you should advise your school that you received previous loans from a particular lender under an existing MPN.

Depending upon the school you attend, you may be required to sign a MPN for each loan you receive.

If you re-enroll in an undergraduate program at a school in the U.S. and previously your parent borrowed a Federal PLUS Loan for your education under a MPN, your parent may be able to receive additional loans from the existing MPN without signing another note.

Your school will inform you of its MPN procedures.

Keep in mind that you will have to repay your loan(s) even if you do not finish school, are not satisfied with your education, or are unable to find a job. Plan ahead for repaying your loan, and budget wisely.

TIP

Keep a file of your student loan records.

Use this folder to keep copies of the following information in one place:

- Loan applications and promissory notes
- Student Aid Reports (SARs) and verification worksheets
- Guarantee and repayment disclosure statements
- Receipts (e.g., from your school cashier's office)
- Financial aid award letters
- Deferment and forbearance requests
- Financial aid correspondence to and from your school, lender or lender servicer, or guarantor
- Names, dates, and brief descriptions of phone conversations with your lender
- Entrance and exit interview forms
- Your Borrower Rights and Responsibilities checklist
- Other financial aid forms and applications
- Brochures and other loan information from your school, lender or lender servicer, or guarantor
- Sample monthly repayment amounts your school may provide

Create A Budget

Budgeting puts you in control and helps you make better decisions. Maintaining a monthly budget also helps you manage your debts efficiently. As you complete your budget worksheet on page 3, remember:

- **Be realistic! Do not cut basic necessities.**
- **Be flexible! Your budget will not work if it is too tight or too loose.**
- **Keep it simple! Do not get so detailed that your budget becomes a chore instead of a useful tool.**
- **Give it time! Your budget will prove itself over the long term.**
- **Keep it updated! Do not let your budget become inaccurate and less effective.**

Meeting credit obligations is essential to maintaining a positive credit history. Take the time to establish a budget—it will be an important tool in managing your repayment obligations.

TIP

Keep a list.

List all your loan(s) in the student loan record on the inside pocket of the back cover of this booklet. Use a pencil so you can update information as necessary. If you are uncertain about your current loan amount(s) or loan holder(s), check your student loan records on the National Student Loan Data System (NSLDS) at www.nslds.ed.gov. If you do not have Internet access, you can call (800) 4FEDAID for this information.

Get an estimate.

- Research what your anticipated salary might be for your career field.

  Your school's career services office should be able to assist you in estimating your potential earnings.

- Consider what your student loan payments will be.

  Use the loan calculator on the Mapping Your Future web site (mapping-your-future.org/features/loancalc.htm), or use the repayment charts on pages 14 and 15 to estimate your monthly student loan payment(s). Then complete the simple equation on page 4. This will help you estimate what percentage of your monthly income will be your loan payment(s).

Completing your budget worksheet can be easy… REALLY!

1. Identify your sources of income, such as salary (actual or anticipated), savings, gifts, and other earnings. **Record and total your income.**

2. Calculate your expenses. Include rent/mortgage, utilities, transportation, entertainment, medical and personal expenses, and savings. Do not forget to include your actual or anticipated monthly student loan payment(s). **Record and total your expenses.**

3. Subtract your expenses from your income to **calculate your discretionary income**, or remaining funds. If you do not have enough money, you will have to make the necessary adjustments to reduce your costs, and you might have to consider alternative repayment options and/or loan consolidation.

Budget Worksheet

Year ____________

1 Income

	Annually
Savings and Gifts	____________
Income *(includes employment earnings, nontaxable income, and other)*	____________
Total Annual Income	

2 Expenses

	Monthly	Annually
Savings Plan(s)	____________	____________
Loan Payment(s) *(may include Federal Stafford Loan, Federal PLUS Loan, Federal SLS Loan, Federal Perkins Loan , and other loans)*	____________	____________
Housing *(includes rent/mortgage, utilities, phone, groceries, dining out, furnishings, decorating, and taxes)*	____________	____________
Transportation *(includes car payment, gas, oil, and repairs)*	____________	____________
Personal *(includes household supplies, clothing, dry cleaning/laundry, and other personal items)*	____________	____________
Insurance *(includes medical, life, car, and personal property insurance)*	____________	____________
Discretionary *[includes entertainment, gifts (e.g., charities, holidays), and membership fees (e.g., gym)]*	____________	____________
Miscellaneous *[includes child care, alimony or support, installments (e.g., credit cards), and emergencies]*	____________	____________
Total Annual Expenses		

3 Discretionary Income

Annual Income

minus Annual Expenses

equals **Remaining Funds**

Plot Your Payment

A. Record your estimated annual gross income at the time you plan to graduate. **[A = annual gross income]**

B. Divide your estimated annual gross income by 12 to get your estimated monthly gross income. **[B = A ÷ 12]**

C. Record your estimated total monthly payment for loans from all years of college (see the **TIP** on page 2 if you need help estimating your monthly loan payment). **[C = monthly loan payment]**

D. Calculate what percentage of your monthly gross income your student loan payment(s) will be. **[D = (C ÷ B) x 100]**

*Is this figure 8 percent or less? (see **TIP** below)*

TIP

Know the 8 percent rule.

Most financial advisors recommend student loan payments not exceed 8 percent of your monthly gross income. In addition, your total non-mortgage debt, including student loans, car loans, and credit cards, should not exceed 12 percent of your net income.

Do not get caught off guard

Do not be surprised if you receive repayment information from a different holder than the one listed on your loan application. Lenders often sell student loans to secondary markets. If your loan is sold, you will be notified in writing and given the name, address, and phone number of the new holder.

Remember: Your loans are due when your grace period ends, whether or not you receive repayment information. If you are nearing repayment and have not received this information, contact your lender, holder, or guarantor!

EXAMPLES

of when a student's first loan payment would be due:

Federal Stafford Loan (sub and unsub)

Less than half time date:	May 31, 2004
Grace period begins:	June 1, 2004
Grace period ends:	Nov. 30, 2004
First payment due no later then:	Jan. 31, 2005

Federal PLUS Loan

First disbursement:	Jan. 4, 2005
Second disbursement:	March 29, 2005
First payment due no later then:	May 30, 2005

Know When Your First Payment is Due

Your loan holder will send you a repayment schedule before your first payment is due. This schedule contains detailed information about your loan payments, including when your first and subsequent monthly payments are due.

Grace Period

Your grace period is the time period between the day you are no longer enrolled at least half time and the day you must begin repayment. Grace periods apply only to Federal Stafford Loan borrowers and to some Federal Supplemental Loan for Students (SLS) borrowers who also have Federal Stafford Loans.

Military reservists who are called to active duty for more then 30 days while in school or in the grace period are entitled to an extension of the grace period, not to exceed three years. This three-year period may include the time necessary for you to re-enroll at the next regularly scheduled enrollment opportunity.

When Repayment Begins…
Notify your loan holder any time your enrollment status changes!

Subsidized Federal Stafford Loan Borrowers

After you graduate, leave school, or drop to less than half time enrollment, you have a six-month grace period before you must begin repayment. During this time, the federal government pays the interest that accrues on your subsidized loan(s). Your loan holder will establish a first payment due date for you no later then 60 days after your grace period ends.

Unsubsidized Federal Stafford Loan Borrowers

After you graduate, leave school, or drop to less than half time enrollment, you have a six-month grace period before you must begin repayment. However, as soon as your unsubsidized loan was disbursed, it began accruing interest. You either chose to pay the interest or your lender will capitalize the interest when you begin repayment, increasing your total loan debt. Your loan holder will establish a first payment due date for you no later then 60 days after your grace period ends.

Federal SLS Borrowers

If you have a Federal Stafford Loan that has not yet entered repayment and a Federal SLS loan for which you are receiving an in-school deferment, you will receive a six-month grace period, or alignment, for your SLS loan so that all of your loans enter repayment and your first payment is due at the same time. During this time, interest continues to accrue on your SLS loan as well as on any unsubsidized Stafford Loans. You authorize your lender to postpone repayment on your SLS loan by signing the Stafford Loan MPN. If you prefer to begin repayment on your SLS loan as soon as you leave school, you must contact your lender, who will establish a first payment due date for you within 60 days of your in-school deferment ending (see page 7).

Federal PLUS Borrowers

The first payment is due within 60 days after the loan is fully disbursed; however, interest begins to accrue after the first disbursement. By signing the PLUS Loan MPN, your parent authorizes the lender to capitalize unpaid interest that accrues before the first payment is due, or your parent may choose to make interest payments during this period.

Federal Consolidation Loan Borrowers

The first principal payment is due within 60 days after the Federal Consolidation Loan is disbursed to the lender(s) holding the underlying loan(s). Interest begins accruing the day the Federal Consolidation Loan is disbursed. If you consolidate your Federal Stafford Loan(s) during your grace period, you will forfeit any remaining grace period (see pages 6 and 9).

TIP

Make plans if you transfer.

If you transfer to a new school, contact your loan holder who will obtain documentation of your last day of attendance at your previous school. Remember, your loan holder needs to know you are still enrolled in school. If you do not notify your loan holder, you may be required to begin repaying your student loan(s) sooner than necessary, perhaps even while you are still in school.

Also, be sure to contact the financial aid offices at both schools—the one you transfer from and the one you transfer to.

Repayment Options

Contact your loan holder to find out more about the following repayment options:

Prepayment: Smartest Choice

- You can prepay all or part of your loan(s) at any time without penalty.
- Prepayment may substantially decrease your total interest costs.
- Be sure to indicate on any prepayment that your loan holder should apply it to the principal.

Standard Repayment: Lowest Total Cost (if you are not prepaying)

- Fixed schedule of equal monthly payments (minimum $50 monthly payment).
- Maximum 10-year repayment period.
- Ideal for borrowers capable of meeting full monthly principal and interest payments.

Graduated Repayment: Short-Term Relief

- Monthly schedule that starts with small payments that increase gradually over time.
- Maximum 10-year repayment period.
- Your loan holder will set your minimum monthly payment, which generally must equal at least the monthly interest charge.
- Assumes your income will grow over time to cover the increasing loan payments.
- You will pay higher total interest than if you had chosen the standard repayment plan.

Income-Sensitive Repayment: Temporary Safety Net

- Monthly schedule that fixes payments for one year at a time. Payments may increase or decrease each year as your income rises or falls.
- Maximum 10-year repayment period that can be extended annually up to five years if payments are less than the standard principal and interest.
- Your loan holder will set your minimum monthly payment based on income documentation you provide.
- Monthly payments generally range from 4 percent to 25 percent of your monthly gross income.
- Substantially increases your total debt.

Extended Repayment Plan

- Available if you received your oldest outstanding loan through the FFEL Program on or after October 7, 1998, and if your total FFEL Program loan debt exceeds $30,000.
- Fixed annual or graduated repayment schedule.
- Maximum 25-year repayment period.
- Your loan holder will set your minimum monthly payment, which must at least equal the amount of interest due. The minimum annual payment amount is $600.
- Substantially increases your total debt.

Consolidation: Option for Borrowers with One or More Student Loans

- Allows you to combine one or more qualifying, outstanding student loan(s) into one new loan with new terms.
- Features one payment and one lender.
- The interest rate is a fixed rate determined from the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8 of 1 percent (not to exceed 8.25 percent).
- Depending on your total educational loan debt, you may qualify for an extended repayment period of up to 30 years.
- You forfeit deferment options you had on underlying loans (see pages 16 and 17).
- Lower monthly payments but higher total interest costs.
- This may be a more affordable monthly payment option for those who have borrowed large amounts; however, the total payback amount is more.

TIP

Pay more to pay less.

If you pay more than the minimum monthly payment, you will pay less interest in the long run, thereby reducing your debt—sometimes substantially!

Tax Relief

The Taxpayer Relief Act of 1997 created a federal tax deduction that you may be able to claim for interest payments you make on federal student loans. For more information about tax credits and student loan interest deductions, visit www.irs.gov and refer to Publication 970 or contact the Internal Revenue Service at (800) 829-1040.

Payment Troubleshooting

The single most important thing to do is stay in touch with your loan holder. If you think you are going to miss a payment, contact your loan holder immediately!

If you are unable to make your scheduled student loan payment(s), you may qualify for a deferment or forbearance.

Deferment

A deferment is a period of time during which you may postpone payments (e.g., while you are attending school at least half time, unemployed, or experiencing an economic hardship). You may qualify for other types of deferment if you borrowed your oldest outstanding FFEL Program loan before July 1, 1993. Deferment eligibility criteria are very specific and are outlined by the U.S. Department of Education.

Subsidized Federal Stafford Loan Borrowers
The federal government will pay the interest that accrues during the deferment period.

Unsubsidized Federal Stafford, SLS, PLUS, and Most Consolidation Loan Borrowers
You are responsible for paying all interest that accrues during deferment periods; however, you may choose either to pay the interest during this time or to defer interest payments. Deferred interest payments will be accumulated and added to the principal (i.e., capitalized) when repayment begins, thus increasing your total loan debt.

See pages 16 and 17 for more information about deferments.

TIP

Take extra precautions.

If you request a deferment or forbearance in writing, keep a copy of your request. If you make the request by phone, document the call.

Follow up with your loan holder to see if the deferment or forbearance request was acted upon.

Do not assume the loan holder approved your deferment or forbearance request until you receive notification from them.

Forbearance

Forbearance is a period of time during which you are permitted to temporarily stop making payments or reduce the amount of your payment. Forbearance is granted when you are willing but temporarily unable to make full or partial payments and do not qualify for a deferment (e.g., due to a financial hardship).

The two main differences between deferment and forbearance are:

1. During a deferment, subsidized Federal Stafford Loan borrowers do not have to pay interest that accrues; but during forbearance, all borrowers are responsible for paying interest.
2. Receiving a deferment is one of your rights as a borrower (provided you qualify and are not in default on your loan). However, in most cases, your loan holder decides whether to grant forbearance, under what conditions, and for what length of time. Loan holders are required, under certain circumstances, to grant a borrower forbearance.

Discharge (also know as "loan forgiveness" or "cancellation")

Your student loan or a portion of your student loan may be discharged; in other words, for the reasons listed below, you would not have to repay the loan.

Total and Permanent Disability Discharge: If a physician certifies that a borrower is unable to work and earn money because of a condition that is expected to continue indefinitely or result in death.

Death Discharge: If a borrower (or student for whom the parent received a Federal PLUS Loan) dies.

False Certification Discharge: If a school falsely certified the borrower's eligibility for the loan.

Closed School Discharge: If a borrower received loan funds to attend a school that closed before the student could complete the program (the school must have closed within 90 days of the student's last date of attendance).

Unpaid Refund Discharge: If a borrower (or student for whom the parent received a Federal PLUS Loan) withdrew from, was terminated from, or did not attend the school, and the borrower did not receive the benefit of a refund because the school failed to return loan funds to the lender.

Teacher Loan Forgiveness: If a Federal Stafford Loan borrower, whose oldest outstanding FFEL Program loan was disbursed on or after October 1, 1998, teaches full time in low-income Title I schools for five consecutive, complete academic years.

Child Care Provider Forgiveness: If a Federal Stafford Loan borrower, whose oldest outstanding loan was disbursed on or after October 1, 1998, has an associate or bachelor's degree in early childhood education and works at least two consecutive years in a child care facility that serves a low-income community.

TIP

Remember to read.

It is very important that you read any correspondence you receive about your FFEL Program loan(s), regardless of whether it is from your lender, loan holder, guarantor, secondary market, or collection agency.

Contact your loan holder for more information about eligibility requirements and application procedures. It is your responsibility to provide all documentation required to process a deferment or forbearance in a timely manner.

Consolidation. . .An Alternative Option

If you are financially unable to manage your loans or if you have loans through different lenders or with different loan holders, consider applying for a Federal Consolidation Loan. Loan consolidation allows you to combine one or more qualifying, outstanding federal student loans into one new loan (payable to one loan holder) and to extend the overall length of your repayment period, reducing your monthly payment amounts.

Keep in mind three important points about loan consolidation:

1. The total amount you repay may be more because you are increasing the amount of time to repay the loan and the interest rate may be higher than the interest rate(s) on your original loan(s).
2. You may forfeit your eligibility for certain deferment options you had on the loans you consolidate.
3. If you consolidate your loan(s) while you are in your grace period, you will forfeit the remaining grace period.

Contact your lender or loan holder to see if loan consolidation is the best option for you.

Loans Eligible for Consolidation

- Subsidized and unsubsidized Federal and Direct Stafford Loans
- Federal and Direct PLUS Loans
- Federal Supplemental Loans for Students (SLS)
- Federal Perkins Loans
- Auxiliary Loans to Assist Students made before October 17, 1986
- Federal Insured Student Loans
- Health Professions Student Loans including Loans for Disadvantaged Students
- Health Education Assistance Loans (HEAL)
- Nursing Student Loans

Interest Rate

Generally, the interest rate on a Federal Consolidation Loan is a fixed rate determined from the weighted average of the interest rates of the loans being consolidated, rounded up to the nearest 1/8 of 1 percent. A Federal Consolidation Loan's interest rate cannot exceed 8.25 percent.

If you consolidate your HEAL loan(s), any portion of the loan that repays your HEAL loan(s) has a separate, variable interest rate that changes annually.

Maximum Repayment Period

The maximum time you are allowed to repay a Federal Consolidation Loan varies, depending on the amount of your loan and any outstanding amounts you owe on education loans that are not included in the consolidation.

Less than $7,500 ....10 years
$7,500 - $9,999 ....12 years
$10,000 - $19,999 ....15 years
$20,000 - $39,999 ....20 years
$40,000 - $59,999 ....25 years
More than $59,999 ....30 years

TIP

Couples may consolidate.

Married couples may consolidate their individual loans; however, doing so requires both persons to be held "jointly and severally liable" for repayment of the entire debt, even if the repayment period outlasts the marriage. In addition, both individuals must qualify to receive a deferment and, generally, both individuals must qualify to receive loan cancellation or discharge; however, there are cases when married, co-borrowers may receive a partial loan discharge if one spouse becomes totally and permanently disabled or dies. Borrowers should contact their loan holder for more information about these benefits.

Default Can Ruin Your Record

You will be considered delinquent on your loan if you are late making a payment. Delinquencies of more than 90 days are reported to national credit bureaus. If you allow your account to default, the consequences will be serious.

Loans are not gifts or grants. They must be repaid!

Being in default is a violation of your loan agreement. If you are at least 270 days late on a scheduled payment, you will be considered in default. Your loan holder will assume you have no intention of repaying your loan and will file a default claim with your guarantor.

Some of the consequences of defaulting on a student loan include:

- Your default, the most severe credit rating, will be reported to national credit bureaus and will remain on your credit report for seven years after your loan is paid in full. The negative credit rating may impact your ability to obtain other credit in the future for major purchases such as a car or a home.
- You retain your right to review your academic records; however, a hold may be placed on your official academic transcript.
- Your loan, including unpaid interest, will become immediately due and payable in full.
- Your loan may be turned over to a collection agency and you may be charged collection costs.
- You will no longer be eligible for deferments, forbearances, or various repayment plans.
- Your guarantor or the U.S. Department of Education may file a lawsuit against you to collect the debt.
- Your federal Treasury payments (e.g., federal tax refunds and Social Security payments) and state income tax refunds may be withheld and applied toward your outstanding loan balance.
- Your disposable wages, up to 10 percent, may be taken and applied to your defaulted loan.
- You will be ineligible to receive any federal or state financial assistance funds to continue your education.
- Your default will have an adverse effect on the FFEL Program and could jeopardize the educational opportunities of future students.

TIP

Defaulters do not slip through the cracks.

If you default, you face serious penalties. Unlike consumer debt, such as credit cards and car loans, there is no statute of limitation on collecting federal student loan debt. Also, keep in mind that interest continues to accrue on the debt and collection costs may be added. Years of not making payments on a loan will substantially increase the total debt.

Default Can Be Avoided

The key to preventing default is communication. There is no reason to default. Your loan holder can help you only if you communicate at the first sign of a problem with repayment. Contact your loan holder the first time you are unable to make your payment.

Your choices about your student loan debt can enable you to finance an educational investment in yourself and can open many doors.

If you cannot pay:

- Check your eligibility for a deferment or forbearance (see pages 7 and 8). Your loan holder will help you determine this.
- Consider a Federal Consolidation Loan, which may allow you to repay your total loan debt over a longer repayment period, resulting in smaller monthly payments (see page 9).
- Ask about options like graduated, income-sensitive, and extended repayment plans (see page 6).
- Review your budget and, if necessary, seek professional financial counseling.

Also, remember to contact your loan holder if:

- your address or phone number changes;
- you do not hear from your loan holder during your grace period; or
- your name, employer, or Social Security number changes.

FSA Ombudsman

If you have a question or concern about your student loan, first contact your school, lender, or guarantor. Another resource available to you is the U.S. Department of Education's FSA Ombudsman. The FSA Ombudsman works with student loan borrowers to help informally resolve student loan disputes and problems. The toll-free Ombudsman Customer Service Line is (877) 557-2575. The mailing address is U.S. Department of Education, FSA Ombudsman, 830 First Street NE 4th Floor, Washington, DC 20202-5144. For more information, visit www.fsahelp.ed.gov.

TIP

Check the pocket.

Complete the information on the front pocket of this brochure and refer to it when you need to contact your loan holder.

Glossary

Borrower – The person who obtains the loan from the lender, or in the case of a PLUS Loan, a parent borrower.

Cancellation – See Discharge.

Collection Costs – If you default on your student loan, your guaranty agency may charge you for the costs of collecting your defaulted loan, which will significantly increase your total debt.

Consolidation – The combining of one or more qualifying, outstanding student loans into one new loan with new terms. Generally, this results in lower monthly payments, but higher total interest costs (see pages 6 and 9).

Credit Bureau – An organization that maintains information on a person's credit history. Financial institutions and other creditors, employers, and landlords obtain credit bureau reports for information about a person's credit rating. Defaulted student loans are reported to credit bureaus and remain on the borrower's credit rating for seven years after the account is paid in full.

Default – A loan is considered to be in default when the account is 270 days delinquent. Once in default, it is reasonable to conclude that the borrower does not intend to repay (see pages 10 and 11).

Deferment – A period of time during which you may postpone payments and the U.S. Department of Education pays the accruing interest for subsidized Stafford Loan borrowers (see pages 7, 16, and 17).

Delinquency – Failure to make a full payment when it is due.

Discharge (or Loan Forgiveness/Cancellation) – The release of a borrower's obligation to repay all or part of a loan (see page 8).

Eligible School – A postsecondary institution approved by the U.S. Department of Education for participation in the Federal Family Education Loan (FFEL) Program. Your school's financial aid office will determine your eligibility for many types of financial aid, including grants, scholarships, and loans, and will process your loan application.

Endorser (or Co-signer) – A person who agrees to repay the loan if the borrower does not.

Federal Government – The federal government regulates the Federal Family Education Loan (FFEL) Program, Congress makes the laws for the FFEL Program, and the U.S. Department of Education regulates and enforces them.

Fees – Federal Stafford Loan and Parent Loans for Undergraduate Students (PLUS) borrowers may be charged two types of fees when the loan is disbursed:

- **Guarantee fee** (or Insurance Premium) - equal to a maximum of 1 percent of the loan amount. While the Missouri Department of Higher Education Student Loan Program plans to continue to waive the guarantee fee for the 2004-2005 academic year, the U.S. Congress or U.S. Department of Education may require the fee to be charged at any time.
- **Origination fee** - equal to a maximum of 3 percent of the loan amount. Your lender will deduct this amount from each disbursement of your loan proceeds and remit it to the U.S. Department of Education. Your lender may choose to pay all or a portion of this fee on your behalf.

FFEL Program – The Federal Family Education Loan (FFEL) Program is a federal student loan program made up of subsidized and unsubsidized Federal Stafford Loans, Federal Parent Loans for Undergraduate Students (PLUS), and Federal Consolidation Loans.

Forbearance – A period of time during which you are permitted to temporarily stop making payments or reduce the amount of your payment (see page 8).

FSA Ombudsman – An office within the U.S. Department of Education that works with student loan borrowers to informally resolve loan disputes and problems (see page 11).

Grace Period – The time period between the day you are no longer enrolled at least half time and the day you must begin repayment (see page 5).

Guaranty Agency (or Guarantor) – An organization that administers the Federal Family Education Loan (FFEL) Program on behalf of the U.S. Department of Education. If a borrower defaults on a loan, the guaranty agency will pay the lender for the loan and collect the loan from the defaulted borrower. Your guarantor should be listed on the Notice of Loan Guarantee you receive from your lender.

Holder – See Loan Holder.

Interest –

- **Simple interest** is calculated on the principal portion of your student loan.
- **Variable interest** is tied to a certain index (depending on the loan) and changes periodically as the index changes.
- **Fixed interest** does not change.
- **Accrued interest** is calculated on your unpaid principal balance each day. The interest builds gradually on the loan and is payable by the borrower or federal government, depending on the loan type.
- **Capitalized interest** is unpaid, accrued interest that is added to the principal balance. When interest is capitalized, your total debt increases.

Lender – A bank, savings and loan, or credit union that provides the actual loan funds. Some lenders will service (i.e., handle correspondence for) your loan while you are in school. Other lenders contract with secondary markets to perform those functions and will sell your loan to that secondary market when the loan enters repayment.

Loan Forgiveness – See Discharge.

Loan Holder – A lender or secondary market that purchases a student loan and has the right to collect from the borrower.

Master Promissory Note – A Master Promissory Note (MPN) allows the borrower to receive multiple loans from the same lender over the course of up to 10 years without signing another promissory note (see page 1).

Missouri Department of Higher Education (DHE) Student Loan Program – Missouri's designated guaranty agency.

Notice of Loan Guarantee – A form you will receive from your lender containing the names, addresses, and phone numbers of your guarantor, school, and lender as well as the total original amount of student loans guaranteed by your guarantor, your disbursement date(s) set by your school, and specifications of your interest rate.

NSLDS – National Student Loan Data System (NSLDS) tracks your student loan(s) from the time the loan is approved until it is paid in full. You can access your loan records in NSLDS online at www.nslds.ed.gov.

Principal – The face value of a loan or the amount on which interest is charged (i.e., the actual amount borrowed).

Promissory Note – The legal and binding contract a borrower signs promising to repay a loan (also see Master Promissory Note).

Repayment Schedule (or Disclosure of Terms) – A document with information about the terms of your repayment, such as the monthly payment amount, the number of payments, the first due date, and subsequent due dates (see page 5).

Satisfactory Academic Progress – To remain eligible for Federal Family Education Loan (FFEL) Program loans, students must maintain satisfactory academic progress as defined by the school.

Secondary Market – Secondary markets purchase student loans from lenders and service them until they are paid in full. You will be notified in writing if your lender sells your loan to a secondary market.

Servicer – Private companies that many schools, lenders, guaranty agencies, and secondary markets contract with to handle student loan processing.

State Tax Offset – The withholding of a defaulted borrower's state income tax refund to pay a student loan debt.

Subsidized (or Interest Subsidy) – The federal government pays the interest on your loan while you are enrolled in school at least half time, during authorized deferment periods, and during your grace period. You are not required to make any principal or interest payments during these periods.

Treasury Offset – The withholding of a defaulted borrower's federal Treasury payments, such as federal tax refunds or Social Security benefits, to pay a student loan debt.

Unsubsidized – The federal government does not make any interest payments on an unsubsidized loan. However, like a subsidized loan, you do not have to make any principal payments on an unsubsidized loan while you are enrolled in school at least half time, during authorized deferment periods, and during your grace period. Unpaid interest will be added to the principal balance of your loan.

Wage Garnishment – The withholding of up to 10 percent of a borrower's wages to pay a defaulted student loan debt.

Student Loan Repayment Chart

Standard 10-Year Repayment Period

Total Amount Borrowed	Minimum Payment	Total Interest Paid	Minimum Annual Salary Needed	Minimum Hourly Salary Needed
$5,000	$61.33	$2,359.16	$9,199	$4.42
$7,500	$91.99	$3,538.74	$13,798	$6.63
$10,000	$122.65	$4,718.32	$18,398	$8.85
$12,500	$153.32	$5,897.89	$22,997	$11.06
$15,000	$183.98	$7,077.47	$27,597	$13.27
$17,500	$214.64	$8,257.05	$32,196	$15.48
$20,000	$245.31	$9,436.63	$36,796	$17.69
$25,000	$306.63	$11,795.79	$45,995	$22.11
$30,000	$367.96	$14,154.95	$55,194	$26.54
$35,000	$429.28	$16,514.10	$64,393	$30.96
$42,500	$521.27	$20,052.84	$78,191	$37.59
$57,500	$705.25	$27,130.31	$105,788	$50.86
$65,000	$797.24	$30,669.05	$119,586	$57.49
$72,500	$889.23	$34,207.78	$133,385	$64.13
$87,500	$1,073.21	$41,285.26	$160,982	$77.39
$95,000	$1,165.20	$44,823.99	$174,780	$84.03
$102,500	$1,257.19	$48,362.73	$188,578	$90.66
$117,500	$1,441.17	$55,440.20	$216,175	$103.93
$138,500	$1,698.74	$65,348.66	$254,811	$122.51

All figures are based on an 8.25 percent annual interest rate (regulatory maximum) and equal monthly payments.

Minimum salaries are based on the 8 percent recommendation: Student loan payments should not exceed 8 percent of your gross income.

Student Loan Repayment Chart

Standard 25-Year Repayment Period*

Total Amount Borrowed	Minimum Payment	Total Interest Paid	Minimum Annual Salary Needed	Minimum Hourly Salary Needed
$30,000	$236.54	$40,960.51	$35,480	$17.06
$35,000	$275.96	$47,787.26	$41,394	$19.90
$42,500	$335.09	$58,027.39	$50,264	$24.17
$57,500	$453.36	$78,507.65	$68,004	$32.69
$65,000	$512.49	$88,747.78	$76,874	$36.96
$72,500	$571.63	$98,987.90	$85,744	$41.22
$87,500	$689.89	$119,468.16	$103,484	$49.75
$95,000	$749.03	$129,708.29	$112,354	$54.02
$102,500	$808.16	$139,948.42	$121,224	$58.28
$117,500	$926.43	$160,428.67	$138,964	$66.81
$138,500	$1,092.00	$189,101.03	$163,801	$78.75

All figures are based on an 8.25 percent annual interest rate (regulatory maximum) and equal monthly payments.

Minimum salaries are based on the 8 percent recommendation: Student loan payments should not exceed 8 percent of your gross income.

* You may be eligible for the extended repayment plan if you received your first loan on or after October 7, 1998, and your total student loan debt exceeds $30,000.

Types of Deferments

Economic Hardship – For borrowers who earn less than the minimum wage or who exceed a federally defined debt-to-income ratio.

Graduate Fellowship – For borrowers engaged in full time study under a graduate fellowship program approved by the U.S. Department of Education.

In-School – For borrowers enrolled at least half time at an eligible institution.

Rehabilitation Training Program – For borrowers engaged in study under a U.S. Department of Education approved rehabilitation training program for persons with disabilities.

Unemployment – For borrowers who are actively seeking, but unable to find full time employment in the United States (Note: a borrower is not eligible if he or she refuses to consider positions, salaries, or responsibility levels for which he or she feels overqualified).

Remember: Your eligibility for a deferment is based on when your oldest outstanding FFEL Program loan was first disbursed.

Borrowers with outstanding loans first disbursed before July 1, 1993, may qualify for other types of deferments. Consult the chart on page 17 and contact your loan holder for more information.

Deferment Types and Limitations

			Federal Stafford and SLS Loans			Federal PLUS Loans				Federal Consolidation Loans[3]	
Deferment Type	**Time Limit**	**Deferment Form**	**Before 7-1-87**	**7-1-87 to 6-30-93[1]**	**On/After 7-1-93[2]**	**Before 8-15-83**	**8-15-83 to 6-30-87**	**7-1-87 to 6-30-93[1]**	**On/After 7-1-93[2]**	**Before 7-1-93**	**On/After 7-1-93[2]**
Full Time Student	N/A	EDU	•	•	•	•[4]	•[4]	•[4]	•[5]	•	•
Half Time Student	N/A	EDU		•	•			•[4]	•[5]	•	•
Graduate Fellowship	N/A	EDU	•	•	•	•[5]	•[5]	•[5]	•[5]	•	•
Rehabilitation Training	N/A	EDU	•	•	•	•[4]	•[4]	•[4]	•[5]	•	•
Armed Forces/Public Health	3 years	PUB	•	•		•					
NOAA Corps	3 years	PUB		•							
Peace Corps/ ACTION	3 years	PUB	•	•		•					
Volunteer Service	3 years	PUB	•	•		•					
Teacher Shortage Area	3 years	EDU		•							
Temp. Total Disability	3 years	TDIS	•	•		•	•	•		•	
Tax-Exempt Org.	3 years	PUB	•	•		•				•	
Economic Hardship	3 years	HRD			•				•		•
Unemployment	2-3 years	UNEM	•	•	•	•	•	•	•	•	•
Internship/ Residency	2 years	EDU	•	•		•					
Working Mother	1 year	PLWM		•							
Parental Leave	6 months	PLWM	•	•							

1 **July 1, 1987 to June 30, 1993** – A borrower who, on the date he or she signed the promissory note, has no outstanding balance on one of the following:

- a Federal Stafford, SLS, or PLUS Loan first disbursed before July 1, 1987, for a period of enrollment beginning before July 1, 1987, or
- a Federal Consolidation Loan that repaid a loan first disbursed before July 1, 1987.

2 **On/After July 1, 1993** – A borrower who received a FFEL Program loan with a first disbursement on or after July 1, 1993, and who has no outstanding balance on a FFEL Program loan as of July 1, 1993, or the date he or she obtains a loan on or after July 1, 1993 (this includes a borrower who obtains a Federal Consolidation Loan on or after July 1, 1993, if he or she has no other outstanding FFEL Program loan when the Federal Consolidation Loan was made).

3 **Federal Consolidation Loans and Interest Benefits During Deferment**

- Federal Consolidation Loans made from an application received by the lender on or after January 1, 1993, and before August 10, 1993, are eligible for interest benefits during deferment.
- Federal Consolidation Loans made from an application received by the lender on or after August 10, 1993, are eligible for interest benefits only if the Federal Consolidation Loan consists of only subsidized Federal Stafford Loans.
- Federal Consolidation Loans made from an application received by the lender on or after November 13, 1997, are eligible for interest benefits on the portion of the Federal Consolidation Loan that repaid subsidized FFEL Program and Direct Loans.

4 Either the parent borrower or dependent student for whom the parent obtained the PLUS Loan must meet deferment eligibility requirements. PLUS borrowers who apply for deferment based on the eligibility of the dependent student must use the separate PLUS form.

5 The parent borrower must meet deferment eligibility requirements.

Notes

Notes

Notes

Exit Interview Verification Form

Student Information
Please print clearly.

Name (last, first, m.i.) ______________________________ Date of Birth ______________________
Social Security Number ____________________ Driver License (state and number) ______________________
Permanent Address (street) ____
(city, state, ZIP code) ____
Permanent Phone Number ______________________ E-mail Address ______________________
Spouse's Name ____
Next of Kin's Name ____
Phone Number ______________________________________
Address (street, city, state, ZIP code) ____

Two Relatives/Adults (who are not residing at next of kin's address and who will always know your whereabouts)

1. Name ______________________________ Phone Number ______________________
   Address (street, city, state, ZIP code) ____
2. Name ______________________________ Phone Number ______________________
   Address (street, city, state, ZIP code) ____

Future Plans *Check off and complete all that apply.*

- ❑ I plan to be employed by (company name) ______________________________________.
  Expected Employer's Address (street, city, state, ZIP code) ______________________________.
- ❑ I plan to re-enroll at (institution name) ______________________ effective (mo/yr)__________.
- ❑ I plan to perform military service in (branch name) __________________ effective (mo/yr)__________.
- ❑ Other ____

Borrower Rights and Responsibilities Checklist *Check off each box once you understand each statement.*

I understand I have a RIGHT to:

- ❑ notification, in writing, if my loan is sold or transferred, showing the name, address, and phone number of the new holder. I must direct all future correspondence to that new holder. The current holder of my loan is
  ______________________________.
  My guaranty agency is
  ______________________________.
- ❑ receive information about the availability of the income-sensitive repayment schedule options, before my first payment is due, specifying the amount of monthly principal and interest payments, the first due date and subsequent due dates.
- ❑ defer repayment for a defined period if I qualify and if I request it from my lender/holder.
- ❑ request a forbearance from my lender/holder if I don't qualify for a deferment and if I am unable to make payments on my loan.
- ❑ prepay all or any part of the amount I owe without penalty.
- ❑ a standard minimum monthly loan payment of $50, which can be more depending on the amount I borrow OR less with a graduated or income-sensitive repayment option.
- ❑ a maximum of 10 years to repay my loan, unless my loans are consolidated or I qualify for the extended repayment schedule option. Extending my repayment term may increase my total debt. Repayment begins
  - after a six-month grace period for subsidized Federal Stafford Loans;
  - after a six-month grace period for unsubsidized Federal Stafford Loans, even though interest accrues while I am in school and can be paid or postponed until graduation; and
  - within 60 days of the last disbursement for PLUS Loans, unless a deferment has been approved.

I understand:

- ❑ I must repay my loan and all accrued and/or capitalized interest and fees according to the established repayment schedule even if I drop out of school, cannot find a job, or am dissatisfied with the education I receive.
- ❑ I must notify my lender(s)/holder(s) if I:
  - change my address,
  - change my name,
  - change my phone number,
  - change my Social Security number,
  - re-enroll in school,
  - transfer to another school, or
  - change my graduation date.
- ❑ if I fail to repay my loan, I will be considered in default and the following may result:
  - My loan will be reported to national credit bureaus and will have a negative effect on my credit rating for at least seven years.
  - The entire unpaid amount of my loan, including interest, will become immediately due and payable.
  - My federal Treasury payments and state income tax refunds may be withheld.
  - My wages may be garnished.
  - I may be ineligible to receive any additional federal or state financial aid funds.
  - My loan may be turned over to a collection agency.
  - My guarantor or the U.S. Department of Education may file a lawsuit to collect the debt.

I have read and understand all of the above information as well as the borrower's rights and responsibilities section contained on my promissory note. I also understand that my student loans are generally not dischargeable through bankruptcy.

Borrower Signature ______________________________ **Date** ______________________